



FISCAL STRESS AND PERSONAL LIABILITY FOR LOCAL GOVERNMENT OFFICIALS

THE GAME HAS CHANGED!

CDIAC/Bond Buyer Pre-Conference

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OVERVIEW

- The economic/political pressures/reality
- Dodd-Frank – what does it mean?
- Your obligations as an issuer
- Your exposure/risk as an issuer
- How can you protect yourself/staff/agency?
- San Diego Experience



ARE YOU FEELING THE PRESSURE?

- Revenues are down
- Pension payments are up
- Locked into multi-year labor agreements
- Labor unwilling to talk
- Demand for services are not going away
- City Council does not want to face the realities

LET'S GET CREATIVE



DODD-FRANK

- Most significant legislative focus on municipal market issues since 1986
- Expanded MSRB mission to protect municipal entities and obligated persons, in addition to investors and the public interest
- Expanded MSRB's jurisdiction to regulate municipal advisors, in addition to municipal securities deals
 - Brings another participant in municipal transactions under regulation
- What is/who are these "municipal advisors" 😊



WHAT ARE YOUR PROFESSIONAL RESPONSIBILITIES?

- Due diligence
 - Be thorough
 - Everything matters
- Can't just rely on your financing team
- Understand the importance of your CAFR
 - Numbers are not enough
 - What's in the notes
- Understand the importance of your POS/OS
- **ACCURACY/TRANSPARENCY IS AN OBLIGATION**



WHAT IS THE ISSUER'S EXPOSURE?

- POS/OS is your document and everything contained in it is your responsibility – **own it!**
- Misinformation (no matter the intent) could equal securities fraud
- You could be held **personally** liability
- Elected officials can't ignore their obligations

**IN THE END: COULD BE A CAREER KILLER
OR WORSE**



PROTECT YOURSELF, YOUR STAFF, YOUR AGENCY

- Establish systems of checks and balances
- Internal/External Working Group
- **YOU CAN'T RELY ON THE PROFESSIONALS**
- Understand your roles/responsibilities/relationship
- Educate/train your staff!!!!
- Educate/train your elected officials
- **Read carefully before you sign!!**



SAN DIEGO EXPERIENCE

(Has the culture really changed?)

- Pre-2006: Disjointed finance structure
- Post 2006: Consolidated finance operations
- Develop a debt policy and procedures
- Established the Disclosure Practices Working Group (DPWG)
 - Multi-disciplinary group
 - Reviews virtually every document/statement expected to reach the financial markets



SAN DIEGO EXPERIENCE – (cont.)

- Established an investor web page
- Provide training to City Council
- Provide training to City staff
- Staff personal signoff on information
- DPWG Certification
- Mayor/City Attorney Certification



THANK YOU